



LEGISLATIVE FISCAL OFFICE
Streamlining Commission Analysis

Recommendation No. **RECOMMENDATION 98**
Streamlining Draft **AGOPRM 34**

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| Date: December 29, 2009 11:59 AM | Author: |
| Dept./Agy.: DHH | |
| Subject: competitive procurement process | Analyst: Shawn Hotstream |

Recommendation requires the Department of Health and Hospitals to implement a competitive procurement process for Personal Care Services to reduce the number of providers in each department administrative region.

| EXPENDITURES | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 5 -YEAR TOTAL |
|----------------|-----------|-----------|-----------|-----------|-----------|---------------|
| State Gen. Fd. | SEE BELOW | SEE BELOW | SEE BELOW | SEE BELOW | SEE BELOW | |
| Agy. Self-Gen. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Ded./Other | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Federal Funds | SEE BELOW | SEE BELOW | SEE BELOW | SEE BELOW | SEE BELOW | |
| Local Funds | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Annual Total | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |

| REVENUES | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 5 -YEAR TOTAL |
|----------------|---------|---------|---------|---------|---------|---------------|
| State Gen. Fd. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Agy. Self-Gen. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Ded./Other | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Federal Funds | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Local Funds | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Annual Total | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |

EXPENDITURE EXPLANATION

Recommendation attempts to reduce the number of available health care providers that deliver personal care services in each DHH administrative region. It is unknown if reducing the number of providers will actually decrease access resulting in a savings to the Medicaid program; the LFO assumes that this measure will likely spread eligible recipients among fewer providers.

Federal law requires state Medicaid programs to allow “any willing provider” that fulfill certain requirements to participate in states’ Medicaid programs. As such, limiting providers will require federal approval, most likely through a waiver. The department has indicated no such intention, and may use other approaches to reduce the number of providers. These include evaluation of rates (potential reductions), increasing provider audits, implementing new licensing standards that may require higher financial requirements, consider performance-based contracts, or implementing a moratorium (which has recently been denied by CMS). Additionally, the department has implemented a provider review process under the facility need review statute which intends to reduce the number of new PCS providers. This process requires any new PCS application to provide proof to the department that there is a recipient access problem as a condition of getting approval to become a Medicaid provider.

The Long Term Personal Care service (LT PCS) is considered a Medicaid state plan service and is also offered as an option under certain waivers (Elderly and Disabled Adult Waiver). Services may be provided in a facility, in an individual’s own home, or in the community. The services are for the elderly or disabled over the age of 21 who qualify for nursing facility level of care. Personal care services are those services that provide assistance with the activities of daily living (such as eating, bathing, or dressing) and instrumental activities of daily living (such as light housekeeping, food preparation, laundry, and medical appointments). Total long term PCS spending has grown from approximately \$34 M in FY 04/05 to approximately \$243 M in FY 08/09.

REVENUE EXPLANATION

There is no anticipated direct material effect on governmental revenues as a result of this measure.

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| Senate | Dual Referral Rules | House | |
| <input type="checkbox"/> 13.5.1 >= \$500,000 Annual Fiscal Cost | | <input type="checkbox"/> 6.8(F) >= \$500,000 Annual Fiscal Cost | |
| <input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change | | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease | H. Gordon Monk Legislative Fiscal Officer |